

# Palm Beach County



## Market Facts

**27.6 MSF**

Total inventory in the  
Palm Beach County office market

**402,559 SF**

Direct net absorption  
for YTD 2017

**12.94%**

Overall Vacancy

**\$40.30 PSF**

Average asking lease rate for  
class A space in Palm Beach  
County on a full-service gross  
basis

## Strengthening Office Market Driven by Growing Economy

### Regional Economic Activity

Positive economic conditions and improving employment growth continue to strengthen the Palm Beach County office market. According to recent figures published by the Bureau of Labor Statistics, Palm Beach County had a non-seasonally adjusted unemployment rate of 3.9% as of May 2017, a 50-bps drop over the past 12 months. Although it is unlikely this rate will decline much further, job growth continues to present itself as a driving force in the market's prosperous economy.

Recent growth in white-collar professions continue to lead the area's economic improvement. As jobs in the business services and financial sectors continue to improve, median household income should considerably outperform comparable national and state levels.

This will lead to economic gains and a positive overall outlook for the office market.

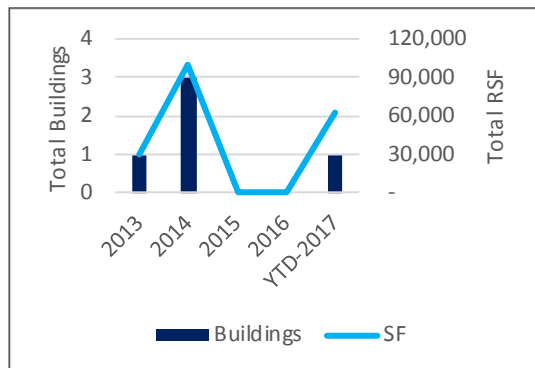
### Tightening Market Conditions Push Lease Rates Up

In response to rising lease rates in class A office space, significant absorption has been realized among class B assets throughout the county. Year-to-date, Palm Beach County has enjoyed overall net absorption of 402,559 sf with approximately 90% of this space leased in class B office product. Accordingly, this has begun to have a significant impact on average lease rates.

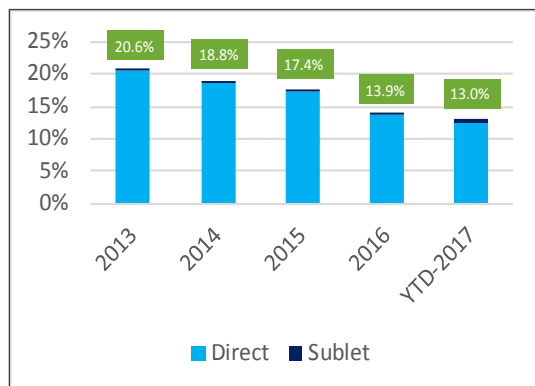
As the overall vacancy rate in class B office product continues to decline, class A space will represent a larger percentage of market availability. Furthermore, tightening conditions in the class B market will produce upward

Recent growth in white-collar professions continue to lead the area's economic improvement.

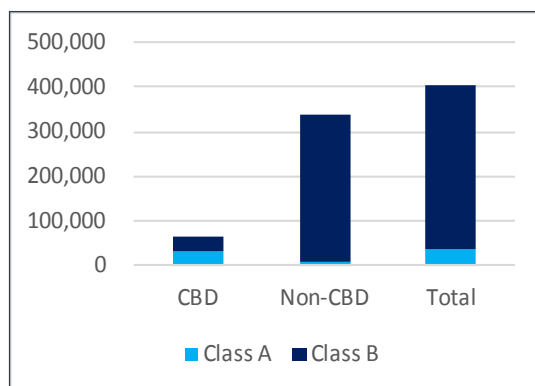
### Total Deliveries



### Vacancy Rate



### YTD Net Absorption (SF)



pressure, driving the overall lease rates higher. In addition, the general lack of new supply will continue to present investment opportunity in existing properties as demonstrated by recent sale activity throughout the county.

### Notable Sales Among Class B Assets

Investment activity is beginning to pick up as both national and local investors seek to expand their portfolios to include property within the Palm Beach County office market. As a result, investors looking for high quality assets are pursuing business hubs such as the Downtown West Palm Beach and Boca Raton submarkets.

Recently, Professional Centre at the Gardens Mall sold to W.C. & A.N. Miller Development Company for \$18.6 million, or \$215 psf. This comes after LNR Partners, the previous owner, invested \$730,000 in capital improvements, increasing the building's occupancy from 50% in 2015 to 98.5% at the point of sale. In addition, City Centre in the North Palm Beach / Palm Beach Gardens submarket sold to AW Property Co. The 98,186-sf office and retail property was purchased for \$26.55 million, or \$270 psf. The transaction also included a 3.21-acre vacant site for an additional \$1.55 million, bringing the total purchase price to \$28.1 million.

### Large Developments in West Palm Beach's Future

As of the second quarter of 2017, there are no new office projects under construction. However, there are a number of major

developments in the pipeline which could have a significant impact on market fundamentals in the coming years. A majority of these projects are concentrated in northern areas of the county such as the Downtown West Palm Beach and Palm Beach Gardens submarkets.

As mentioned in Avison Young's Year-End Palm Beach County Office Market Report, One West Palm is a proposed, \$250 million office, condo and hotel project planned in Downtown West Palm Beach. The 30-story two-tower project will consist of 209,000 sf of office, 328 luxury apartments, hotel and retail space. The project has been approved by the city and, due to height restrictions, is awaiting approval by the Federal Aviation Administration. If approved, this project will deliver more class A office space to Palm Beach County than in the last six years combined.

### Looking Ahead

Palm Beach County's office market has experienced robust growth in the first half of 2017 and is on track to match 2016's 860,000 sf of positive net absorption. It also appears that rising lease rates have been received well as demonstrated by the relatively uninterrupted flow of leasing activity. Furthermore, the lack of new supply has done little to impede investors' confidence in the market as demonstrated by recent sale activity. Avison Young anticipates continued positive absorption with a concentration in primary business hubs and class B product.

**Palm Beach County**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	7,578,371	827,242	31,396	\$40.30	89.08%	10.92%	0.41%	11.33%	0	38,806
Class B	20,010,239	2,638,861	71,806	\$28.74	86.81%	13.19%	0.36%	13.55%	0	363,753
<b>Total</b>	<b>27,588,610</b>	<b>3,466,103</b>	<b>103,202</b>	<b>\$31.50</b>	<b>87.44%</b>	<b>12.56%</b>	<b>0.37%</b>	<b>12.94%</b>	<b>0</b>	<b>402,559</b>

**CBD**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,640,967	111,966	0	\$53.12	93.18%	6.82%	0.00%	6.82%	0	30,568
Class B	1,746,912	303,506	0	\$33.58	82.63%	17.37%	0.00%	17.37%	0	34,414
<b>Total</b>	<b>3,387,879</b>	<b>415,472</b>	<b>0</b>	<b>\$38.85</b>	<b>87.74%</b>	<b>12.26%</b>	<b>0.00%</b>	<b>12.26%</b>	<b>0</b>	<b>64,982</b>

**Non-CBD**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,937,404	715,276	31,396	\$38.29	87.95%	12.05%	0.53%	12.58%	0	8,238
Class B	18,263,327	2,335,355	71,806	\$28.11	87.21%	12.79%	0.39%	13.18%	0	329,339
<b>Total</b>	<b>24,200,731</b>	<b>3,050,631</b>	<b>103,202</b>	<b>\$30.50</b>	<b>87.39%</b>	<b>12.61%</b>	<b>0.43%</b>	<b>13.03%</b>	<b>0</b>	<b>337,577</b>

**Boca Raton**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,050,636	631,879	28,470	\$38.95	87.49%	12.51%	0.56%	13.07%	0	(10,404)
Class B	7,433,326	1,078,529	24,783	\$26.98	85.49%	14.51%	0.33%	14.84%	0	179,864
<b>Total</b>	<b>12,483,962</b>	<b>1,710,408</b>	<b>53,253</b>	<b>\$31.41</b>	<b>86.30%</b>	<b>13.70%</b>	<b>0.43%</b>	<b>14.13%</b>	<b>0</b>	<b>169,460</b>

**Boynton / Lantana**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	250,490	29,745	0	\$24.54	88.13%	11.87%	0.00%	11.87%	0	8,852
Class B	599,355	143,702	1,324	\$20.61	76.02%	23.98%	0.22%	24.20%	0	21,547
<b>Total</b>	<b>849,845</b>	<b>173,447</b>	<b>1,324</b>	<b>\$21.28</b>	<b>79.59%</b>	<b>20.41%</b>	<b>0.16%</b>	<b>20.57%</b>	<b>0</b>	<b>30,399</b>

**Delray Beach**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,014,847	109,319	7,049	\$26.38	89.23%	10.77%	0.69%	11.47%	0	(8,340)
<b>Total</b>	<b>1,014,847</b>	<b>109,319</b>	<b>7,049</b>	<b>\$26.38</b>	<b>89.23%</b>	<b>10.77%</b>	<b>0.69%</b>	<b>11.47%</b>	<b>0</b>	<b>(8,340)</b>

**Downtown West Palm Beach**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,640,967	111,966	0	\$53.12	93.18%	6.82%	0.00%	6.82%	0	30,568
Class B	1,746,912	303,506	0	\$33.58	82.63%	17.37%	0.00%	17.37%	0	34,414
<b>Total</b>	<b>3,387,879</b>	<b>415,472</b>	<b>0</b>	<b>\$38.85</b>	<b>87.74%</b>	<b>12.26%</b>	<b>0.00%</b>	<b>12.26%</b>	<b>0</b>	<b>64,982</b>

**Jupiter**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,393,001	79,346	4,114	\$27.53	94.30%	5.70%	0.30%	5.99%	0	21,415
<b>Total</b>	<b>1,393,001</b>	<b>79,346</b>	<b>4,114</b>	<b>\$27.53</b>	<b>94.30%</b>	<b>5.70%</b>	<b>0.30%</b>	<b>5.99%</b>	<b>0</b>	<b>21,415</b>

**North Palm Beach / Palm Beach Gardens**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	636,278	53,652	2,926	\$38.13	91.57%	8.43%	0.46%	8.89%	0	9,790
Class B	3,185,140	281,612	963	\$26.90	91.16%	8.84%	0.03%	8.87%	0	40,001
<b>Total</b>	<b>3,821,418</b>	<b>335,264</b>	<b>3,889</b>	<b>\$28.70</b>	<b>91.23%</b>	<b>8.77%</b>	<b>0.10%</b>	<b>8.88%</b>	<b>0</b>	<b>49,791</b>

**Palm Beach**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	586,568	109,629	2,435	\$61.63	81.31%	18.69%	0.42%	19.11%	0	(16,968)
<b>Total</b>	<b>586,568</b>	<b>109,629</b>	<b>2,435</b>	<b>\$61.63</b>	<b>81.31%</b>	<b>18.69%</b>	<b>0.42%</b>	<b>19.11%</b>	<b>0</b>	<b>(16,968)</b>

**Palm Springs / Lake Worth**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	425,220	35,299	23,921	\$21.01	91.70%	8.30%	5.63%	13.93%	0	11,033
<b>Total</b>	<b>425,220</b>	<b>35,299</b>	<b>23,921</b>	<b>\$21.01</b>	<b>91.70%</b>	<b>8.30%</b>	<b>5.63%</b>	<b>13.93%</b>	<b>0</b>	<b>11,033</b>

**Royal Palm Beach / Wellington**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	722,975	13,227	0	\$23.20	97.84%	2.16%	0.00%	2.16%	0	50,681
<b>Total</b>	<b>722,975</b>	<b>13,227</b>	<b>0</b>	<b>\$23.20</b>	<b>97.84%</b>	<b>2.16%</b>	<b>0.00%</b>	<b>2.16%</b>	<b>0</b>	<b>50,681</b>

**West Palm Beach**

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	2,902,895	484,692	7,217	\$27.09	83.30%	16.70%	0.25%	16.95%	0	30,106
<b>Total</b>	<b>2,902,895</b>	<b>484,692</b>	<b>7,217</b>	<b>\$27.09</b>	<b>83.30%</b>	<b>16.70%</b>	<b>0.25%</b>	<b>16.95%</b>	<b>0</b>	<b>30,106</b>

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Palm Beach County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Investors are focused on how rising short-term interest rates may affect future property values and the possible repeal of 1031 exchanges.

Leading Indicators (Y-O-Y 2Q-2016 to 2Q-2017)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	South Florida Labor Force
12.94%	402,559 SF	\$31.50	0 SF	3.15 MM

Significant Second Quarter 2017 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Self-Storage Operator	Boca Raton Innovation Campus	New Lease	67,685	Boca Raton
Shoes for Crews	Boca Raton Innovation Campus	New Lease	37,000	Boca Raton
Confidential	301 Yamato Plaza	New Lease	25,275	Boca Raton
Biotest Pharmaceutical Corp.*	North 40	New Lease	21,620	Boca Raton
WM Wrigley Co.	Waterfront Clematis	New Lease	13,609	Downtown WPB
Phoenix Tower	Yamato Office Center	New Lease	9,648	Boca Raton
Chromalloy Gas Turbine, LLC	Watterson & Zappolo	New Lease	9,624	NPB / PBG
BBT Management	Boca Center Tower I	New Lease	8,924	Boca Raton

\* Indicates Avison Young was involved in this transaction.

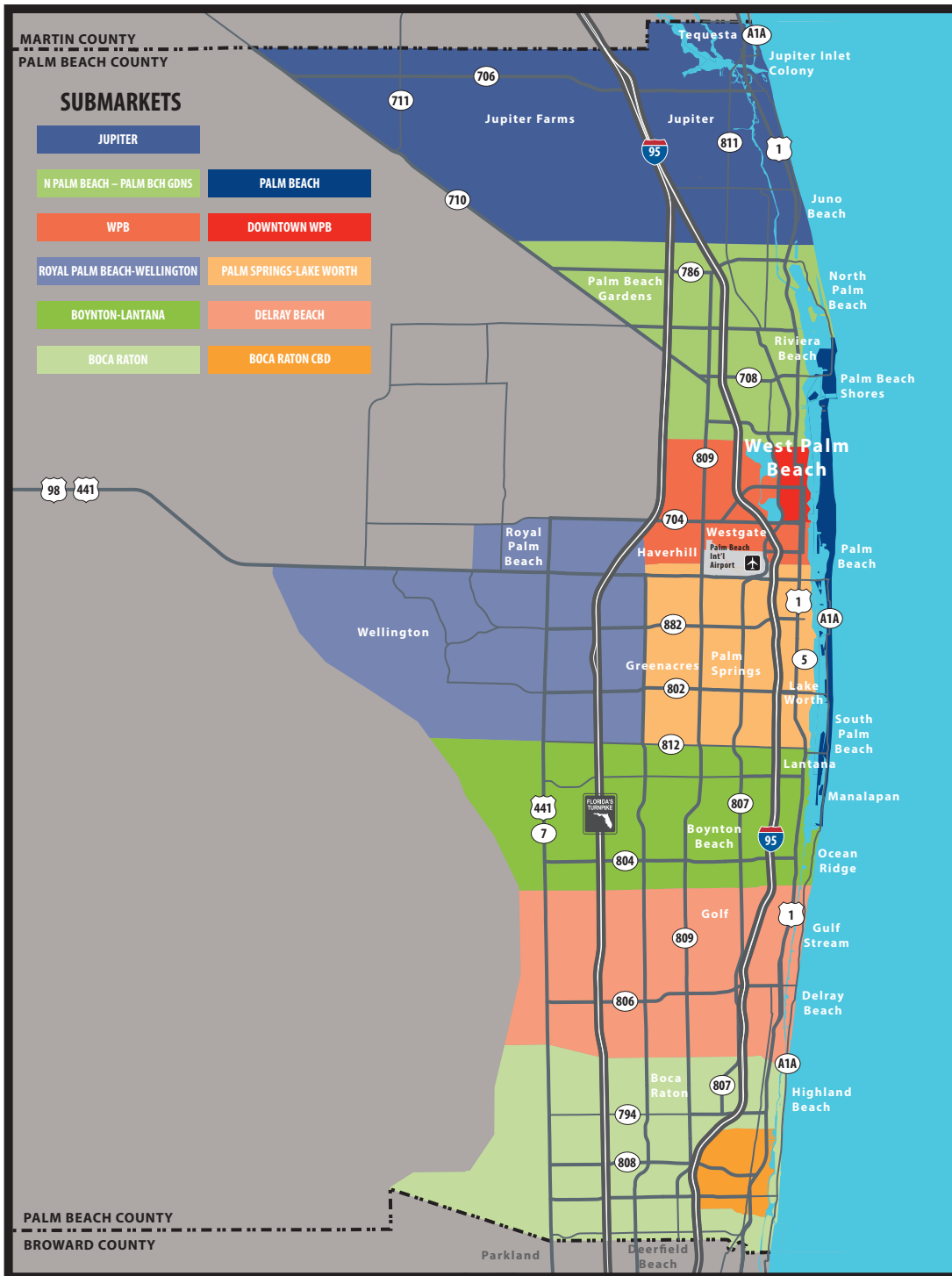
Significant Second Quarter 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Peninsula Executive Center	187,784	\$59,750,000	\$318	C. Talanian Realty Co.	Boca Raton
City Centre	98,186	\$26,550,000	\$270	AW Property Co.	NPB / PBG
Professional Centre at the Gardens Mall *	86,349	\$18,600,000	\$215	W.C. & A.N. Miller Development Co.	NPB / PBG
Concourse Tower	150,198	\$13,807,500	\$92	CTM Realty	West Palm Beach

\* Indicates Avison Young was involved in this transaction.



## Office Submarket Map



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